

THE WASHINGTON POST

DATE: 12 APRIL 86PAGE: A1

Smith Gains Acquittal In Spy Case

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A federal jury in Alexandria found former Army intelligence specialist Richard Craig Smith not guilty last night of violating espionage laws by divulging the identities of six U.S. double agents to the Soviets for \$11,000.

The U.S. District Court jury rendered its verdict after deliberating six hours, whereupon Smith's wife Susan broke into tears and the defendant hugged his two attorneys.

Smith said following the court proceedings he had been "through a 2 1/2-year ordeal I would not wish anyone to go through. My faith in this government's system has been restored."

His principal attorney, A. Brent Carruth, said: "I give a lot of thanks to the 13th juror. God had to be with us to win this one."

Assistant U.S. Attorney Joseph Aronica, who prosecuted the case, said "no comment" when asked what he thought of the outcome.

Smith, a 42-year-old McLean High School graduate and father of four who lives in Bellevue, Wash., acknowledged taking \$11,000 from a Soviet official in Tokyo but said he did so only on the instructions of a CIA agent as part of an operation to infiltrate Soviet intelligence. He said his CIA contacts had links to a subsidiary of a Hawaiian firm that the CIA later acknowledged had been used as a front for its agents.

In testimony Thursday, Smith denied the government's assertion that he sold the information because he had encountered financial difficulties after leaving the Army's Intelligence and Security Command in 1980. Four months before meeting with the Soviet official, Victor I. Okunev, in 1982, Smith had de-

clared bankrupt a video company he owned in Utah.

Smith testified he was recruited for a U.S. double-agent operation in Tokyo by two men who said they were from the CIA and gave him a Honolulu telephone number as a contact point. The number, which turned out to belong to the now-defunct investment firm of Bishop, Baldwin, Rewald, Dillingham and Wong, was on a business card that also bore the names Richard P. Cavanaugh and CMI Investments Inc., he testified.

Charles Richardson, a former CIA agent, told the Alexandria jury this week he had used Cavanaugh as an alias and CMI Investments, a Bishop, Baldwin subsidiary, as a front in his CIA work. But he also testified that he did not know Smith.

Richardson also acknowledged that he had involuntarily resigned from the CIA because of his superiors' unhappiness over his financial dealings in Bishop, Baldwin.

Defense attorney Carruth characterized Richardson as a renegade CIA officer and said he did not inform his CIA superiors of everything he did, including his contacts with Smith.

Smith testified that after he met with Okunev, his CIA case officers dropped out of sight, so he contacted the FBI in an effort to find out what happened to the operation.

Prosecutor Aronica contended that Smith went to the FBI only because he believed his contacts with the Soviet official had been detected. The prosecution also argued that Smith concocted the story involving Richardson only after his arrest, when he read newspaper stories about troubles that the Bishop, Baldwin firm was experiencing, an assertion Smith denied.

The company was in the news after it collapsed in 1983, leaving investors with losses of more than \$10 million. One of its directors, Ronald R. Rewald, alleged in a lawsuit that it had been a front for the CIA.

The CIA has acknowledged using the firm's CMI subsidiary as a cover for agents, but denied any involvement in the company's financial dealings. Rewald has been con-

victed of 94 counts of perjury, fraud and tax evasion and sentenced to 80 years in prison.

Several FBI agents testified that during a series of interviews with them over a 10-month period prior to his arrest in April 1984, Smith never told any of them that he was working for the CIA. A CIA employee said the agency had no record of the two men, Ken White and Danny Ishida, who Smith said recruited him in Tokyo.

The prosecution stressed Smith's financial difficulties, including a \$2,000 American Express credit bill, but Carruth, in his closing argument, pictured his client as a man unwittingly caught up in an unauthorized CIA operation run by a renegade officer and "not a man who sells his country [to pay] \$2,000 American Express bills."

The five charges of which Smith was acquitted were conspiracy, two counts of transmitting the identities of six double-agents and two of disclosing classified information. If convicted, he could have been sentenced to life in prison. Jurors contacted last night would not comment on their verdict.

The federal government has been successful in most, but not all, recent espionage prosecutions. A hung jury caused a mistrial last November in the espionage trial of FBI agent Richard W. Miller in Los Angeles. In January 1984, a federal judge in New York dismissed espionage charges against a Bulgarian trade official because he had diplomatic immunity.

During his work at the Army's Intelligence and Security Command from 1973 to 1980, Smith worked as a case officer or alternate case officer on 21 double-agent operations in which agents for the United States pose as agents for other governments, his ex-supervisor testified. Smith, who testified he had a good imagination, said his main responsibility was developing cover stories for the U.S. double agents.

Prosecutor Aronica, in summing up the prosecution's case yesterday, declared: "The idea that the CIA would have [Smith] working as a double agent and that another agency of the same government would bring him in here to prosecute him is preposterous."